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Case No: TO-2005-0035

Missouri Public
Service Commission

SOUTHWESTERN BELL TELEPHONE, L.P. d/b/a SBC MISSOURI

CASE NO. TO-2005-0035

DIRECT TESTIMONY

OF

ELIZABETH STOIA

NP

San Antonio, Texas
October 29, 2004

Exhibit No. 10
Date Premarked Case No. TO-2005-0035
Reporter _____

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Second Investigation into the State of
Competition in the Exchanges of Southwestern Bell) Case No. TO-2005-0035
Telephone, L.P., d/b/a/ SBC Missouri.)

AFFIDAVIT OF ELIZABETH STOIA

STATE OF TEXAS)

SS

CITY OF SAN ANTONIO

I, Elizabeth Stoia, of lawful age, being duly sworn, depose and state:

1. My name is Elizabeth Stoia. I am presently Director - Consumer Marketing for SBC Operations Inc.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.


Elizabeth Stoia

Subscribed and sworn to before this 21 day of October, 2004


Notary Public

My Commission Expires: 11/04/08



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CASE NO. TO-2005-0035
SOUTHWESTERN BELL TELEPHONE, L.P., D/B/A SBC MISSOURI
DIRECT TESTIMONY OF ELIZABETH STOIA

INTRODUCTION

Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. My name is Elizabeth Stoia and my business address is 530 McCullough, San Antonio,
Texas 78215.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am employed by SBC Operations, Inc. and my title is Director – Consumer Marketing.

**Q. HAVE YOU PREPARED AN EXHIBIT THAT PROVIDES INFORMATION
REGARDING YOUR EMPLOYMENT AND EDUCATIONAL AND
PROFESSIONAL BACKGROUND ?**

A. Yes. That information is attached as Schedule 1.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony supports SBC Missouri's efforts to gain a competitive classification for
residential access lines and line-related services such as vertical services.

Q. HOW WILL YOUR TESTIMONY DO SO?

A. My testimony will:

- Describe residential services available from SBC Missouri, including residence
access lines and line-related services such as vertical services;

- 1 • Show the availability of services from alternative providers in SBC Missouri
- 2 exchanges, thus demonstrating that effective competition exists for these services;
- 3 • Demonstrate that the services of the alternative providers in the exchanges are
- 4 functionally equivalent or substitutable at comparable rates, terms and conditions;
- 5 and
- 6 • Explain how customers will benefit from a declaration that SBC Missouri's services
- 7 are competitive.

8

9 **Q. YOU HAVE GROUPED THE SERVICES INTO TWO CATEGORIES:**

10 **RESIDENTIAL ACCESS LINES AND LINE-RELATED SERVICES. WILL**

11 **YOUR TESTIMONY ADDRESS EACH OF THESE CATEGORIES?**

12 **A.** Yes, I will be discussing these two categories of residential services. Residential access

13 lines include dial tone and local usage, and line-related services include CLASS and

14 Custom Calling features (CCF) (e.g. Call Waiting, Three Way Calling, Caller ID). A

15 general description of these services is attached as Schedule 2.

16

17 **Q. PLEASE SUMMARIZE THE KEY POINTS YOU WOULD LIKE TO CONVEY**

18 **TO THE COMMISSION.**

19 **A.** The key points are:

- 20 • There are alternative providers providing substitutable services for SBC Missouri's
- 21 residential services;
- 22 • While the services of obvious competitors to SBC Missouri's residential services
- 23 include traditional "landline" services offered by Competitive Local Exchange

1 Carriers (CLECs), there are also non-traditional forms of communication that are
2 substitutable for or functionally equivalent to SBC Missouri's services such as
3 wireless service and Voice over IP (VoIP).

- 4 • SBC Missouri faces pricing constraints that do not apply to its competitors.
- 5 • Customers are not receiving the full benefit of a competitive market because SBC
6 Missouri's existing pricing constraints limit its ability to respond to changing
7 customer demands and a changing competitive marketplace.

8 As a result of these points, the Commission should find that effective competition exists
9 for SBC Missouri's residential services.

10

11 **GENERAL OVERVIEW OF THE COMPETITIVE MARKET**

12 **Q. WHAT ARE THE DIFFERENT TYPES OF COMPETITION THAT SBC**
13 **MISSOURI FACES?**

14 A. The most recognizable form of competition comes from CLECs providing the same types
15 of residential access lines, and line-related services that SBC Missouri provides. While
16 CLECs continue to provide significant competition, SBC Missouri also faces competition
17 from non-traditional service providers. Increasingly, consumers are opting to substitute
18 their wireless service for traditional wireline service. Wireless phone service can more
19 efficiently meet the multifaceted needs of our growing population of technologically
20 savvy consumers. In many cases, consumers have decided that they no longer need a
21 landline telephone, and instead, rely primarily or even exclusively on their wireless
22 phone to make calls to friends and family. Wireless providers have come up with several
23 creative marketing initiatives that encourage increased wireless usage, leading to further

1 landline displacement. Some usage plans allow customers to carry unused minutes over
2 to the next month. "Group/Family plans" allow families or groups to talk for free or
3 share minutes, encouraging groups of customers to subscribe to service together. In
4 addition to mobility that SBC Missouri's residential service cannot provide, wireless
5 service also usually offers much larger local calling scopes than SBC Missouri provides.
6 Verizon Wireless offers America's Choice plans in Missouri. Pricing for these plans
7 begins at \$34.99 and includes Unlimited Night and Weekend Home calling. In addition,
8 these plans include the following features: 3Way calling, 411 Connect, Call Forwarding,
9 Call Waiting, Caller ID, Voicemail and Text messaging.

10
11 **Q. WHAT OTHER NON-TRADITIONAL COMPETITORS IS SBC MISSOURI**
12 **NOW FACING?**

13 **A.** There is not only competition from wireless services but also from Cable TV companies.
14 These companies provide cable telephony service over their existing cable networks.
15 These competitors bundle Cable TV and Cable Telephony at a discounted price point.
16 An example of this type of competitor is Time Warner. Time Warner, which has the
17 following offer in the market in Missouri. It uses the advertising slogan: "No Surprises.
18 No Long Term Contracts. No Kidding." Time Warner Cable offers new Digital Phone
19 service in serviceable areas of Missouri that includes unlimited local, in state and Long
20 Distance calling throughout the U.S. for "as low as" \$39.95 per month. This offer
21 includes Caller ID, Call Waiting and Call Waiting ID features, Enhanced 911 service,
22 and free installation for service that works over existing phones and jacks. Customer can
23 keep their current phone number.

1 **Q. WHAT IS THE NEWEST NON-TRADITIONAL COMPETITOR THAT SBC**
2 **MISSOURI NOW FACES?**

3 A. The newest competitor to enter the market place are the Voice over IP (VoIP) providers.
4 These competitors provide telecommunications services via the Internet. Customers can
5 receive the same type of services they receive from a traditional telecom provider without
6 limits on calling scope.

7

8 **Q. CAN YOU PROVIDE AN EXAMPLE OF WHAT YOU ARE SEEING BEING**
9 **OFFERED BY VOIP PROVIDERS IN MISSOURI?**

10 A. Yes. AT&T, one of the leading VoIP providers, offers a residential VoIP telephone
11 service it calls "AT&T CallVantage." AT&T promoted this service heavily in a series of
12 national television ads that ran during the Olympic Games. In addition to the more
13 traditional telephone service features like call waiting, three-way calling, and call
14 forwarding, AT&T CallVantage also offers more advanced features like "Call Logs" to
15 track incoming and outgoing calls; "Do Not Disturb" to receive calls only when wanted;
16 "Locate Me," which rings up to five phones all at once or sequentially; "Voicemail with
17 eFeatures" to listen to messages from any phone or PC and then forward them to anyone
18 on the web; and "Personal Conferencing" to set up meetings with up to nine additional
19 callers.

20

21 **Q. WHAT IS NEEDED FOR CUSTOMERS TO USE A VOIP SERVICE LIKE**
22 **AT&T'S CALLVANTAGE?**

1 A. All that is required for service is an easy-to-connect, plug-in telephone adapter that is
2 usually provided by the VoIP provider (or its retail outlet), a broadband Internet
3 connection, and a regular telephone supplied by the customer. According to AT&T's
4 press releases, its VoIP service is simple to use and easy for customers to install,
5 typically in 10 minutes.

6

7 **Q. HOW IS AT&T MARKETING ITS CALLVANTAGE SERVICE?**

8 A. In addition to its own extensive advertising, AT&T has entered into arrangements for
9 several national retailers to market CallVantage service. On August 23, 2004, AT&T
10 announced that it had entered into an agreement with Best Buy Stores to make
11 CallVantage available in all 628 of its stores across the country and online at
12 www.bestbuy.com. Under their agreement, Best Buy will promote AT&T CallVantage
13 through in-store marketing as well as print, broadcast and online advertising. AT&T
14 announced similar agreements with Amazon.com (Amazon's web address is
15 www.amazon.com) on August 25, 2004; and with Circuit City on September 29, 2004
16 (Circuit City's web address is www.circuitcity.com).

17

18 **Q. HAS AT&T MADE ANY ARRANGEMENTS WITH CABLE TELEVISION**
19 **COMPANIES TO MARKET ITS CALLVANTAGE SERVICE?**

20 A. Yes. On August 19, 2004, AT&T announced that it has teamed up with the country's
21 largest cable television operators to offer telephone service over their broadband internet
22 lines. To drive deployment of its CallVantage Internet telephone service, AT&T stated
23 that it struck marketing agreements with Comcast, Time Warner, Cox, Charter

1 Communications and Mediacom. Under the plan, AT&T will refer callers seeking to
2 sign up for CallVantage to the appropriate cable operator to set up the broadband Internet
3 access. With this VoIP service, the customer's phone would be connected to a broadband
4 line rather than the traditional copper telephone line.

5
6 **Q. HOW HAS AT&T PRICED ITS CALLVANTAGE SERVICE?**

7 A. When it initially rolled out its service, AT&T priced CallVantage with unlimited local
8 and nation-wide long distance at \$34.99 per month. But it offered an introductory six
9 month \$19.99 promotional rate. On August 19, 2004 AT&T announced that it was
10 extending this promotional rate through September 30, 2004 and including Canada as
11 part of its nation-wide calling service at no additional charge. On September 30, 2004,
12 AT&T announced that it was cutting the price of this service by \$5.00 (from \$34.99 to
13 \$29.99 per month) and offering one month of free service to spur demand ahead of the
14 holiday season. A few hours after AT&T made this announcement, Vonage announced
15 that it would also lower the price of its unlimited VoIP service by \$5.00 (from \$29.99 to
16 \$24.99 per month).

17
18 **Q. WHAT IS THE SOURCE OF THIS INFORMATION?**

19 A. This information is contained in press releases issued by AT&T, media articles, and in its
20 advertising. Copies of these materials are attached as Schedule 3.

21
22 **Q. WHAT COMPETITION DOES SBC MISSOURI FACE FOR ITS ADDITIONAL**
23 **LINE OFFERINGS?**

1 A. Beyond the competition for the primary access line, there are competitive services
2 available that are substitutable for SBC Missouri's additional line offering. Customers
3 are now able to get Internet access without the need for an additional line. Cable
4 broadband service provides a high-speed data connection over the same line as the cable
5 television line. Providing Internet access at least 20 times faster than a standard-speed,
6 phone line based dial modem, cable modem service can be up to 100 times faster if the
7 provider so chooses. Clearly, Internet access has gone mainstream. An estimated 87% of
8 homes in SBC Missouri exchanges have access to some type of broadband offering. (See
9 Schedule 4P).

10
11 Internet service providers offer web-based services like email and instant messaging, that
12 allow users to stay connected while on-line. With instant messaging the user can
13 communicate instantly and privately with users on their buddy list. A user can keep track
14 of friends by creating a buddy list. They will know instantly when someone on their
15 buddy list is on-line and have the ability to enjoy live conversations online. Instant
16 messaging is popular with the teen segment. Now teens don't need a "teen phone line" to
17 communicate with their friends. The ability to IM has replaced the need for the
18 additional line.

19 There are also free email services that allow the user to send and receive messages. Two
20 of the big names in free Web-based email are Hotmail and Yahoo! Mail, offering free
21 email with no need to utilize special software or settings to access messages, just a
22 computer connected to the Internet and a browser. Users can access the office email
23 from these free services. Hotmail has over 30 million users of its free services

1 worldwide, and these services allow the consumer to check his or her email without the
2 aid of a phone line.

3

4 **Q. HOW WOULD YOU DESCRIBE THE MARKET FOR RESIDENTIAL**
5 **TELECOMMUNICATIONS SERVICES IN MISSOURI?**

6 A. It is very competitive. As I mentioned above, there are many types of competitors
7 providing a multitude of ways for people to communicate. And these competitors are
8 being successful at winning residential customers. In the 3 years since SBC Missouri's
9 last competitive classification case, SBC Missouri has lost over 260,000 residential lines.
10 We have lost lines to traditional CLECs, cable companies, wireless companies and VoIP
11 providers.

12

13 **Q. ARE THERE CERTAIN CUSTOMER SEGMENTS THAT COMPETITORS**
14 **TARGET?**

15 A. Our research indicates that competitors target customers who have a higher monthly
16 spend. On average, the customers we lose to the competition spend **__** on a
17 monthly basis (see Schedule 5HC) in addition, it is evident that the competition is not
18 interested in targeting the low end market since they do not market a la carte features and
19 naked access lines for purchase. As a result, simply looking at line loss numbers, or line-
20 based market share estimates, understates the level of competition in the residential
21 marketplace.

22 **Q. DOES SBC TARGET CERTAIN CUSTOMER SEGMENTS?**

NP

1 A. SBC has products and services available for all customer segments. This includes naked
2 access lines, a la carte features, service packages and bundles. We offer service to all
3 customers – including customers who purchase few services that the CLECs do not
4 appear to want to serve.
5

6 **RESIDENTIAL ACCESS LINE SERVICES**

7 **Q. WHAT ARE RESIDENTIAL ACCESS LINE SERVICES?**

8 A. Residential access line services are those services that provide basic voice access to the
9 telecommunications network. For residential service, the most typical is flat rate
10 telephone service (i.e., what is typically thought of as basic local service). Additionally,
11 there are other forms of access including measured service and message rate service.
12

13 **Q. WHAT TYPES OF COMPETITION EXIST FOR RESIDENTIAL ACCESS LINE**
14 **SERVICES?**

15 A. The most well-known type of competition for residential access line services is from
16 certificated CLECs providing tariffed services that are available and directly substitutable
17 for SBC Missouri's residential access line services. But as mentioned previously, there
18 are other non-traditional providers including wireless and VoIP.
19

20 **Q. ARE THE RESIDENTIAL ACCESS LINE SERVICES THAT THESE CLEC**
21 **COMPETITORS OFFER TARIFFED?**

22 A. Yes. CLECs file tariffs with the Commission that identify their services including terms,
23 conditions and prices.

Q. DO THESE TARIFFS DEMONSTRATE THAT CLECS ARE OFFERING THE SAME TYPES OF RESIDENTIAL ACCESS LINE SERVICES THAT SBC Missouri PROVIDES?

A. Yes. While there are numerous CLEC tariffs that identify the fact that they provide service in SBC Missouri's exchanges, I have included a few representative samples to demonstrate that CLECs offer similar services at similar prices to SBC Missouri's services. These sample CLEC tariff offerings are included in Stoia – Schedule 6. While CLECs offer basic local service, they also offer package/bundle offerings. For example, in Kansas City and St. Louis, Sage Communications has local/long distance package deals in the market. These plans offer local service with vertical features bundle with Long Distance for as little as \$24.90 per month. Sage's advertising for these packages says:

Dear Southwestern Bell customers: Are you ready to say goodbye to the monopoly? And to high prices for the phone services you need?". Sage Telecom in MO offers 3 Local Service Plans for bundled local and LD calling: 1) Simply Savings Plan at \$24.90 per month combines unlimited local service with 100 domestic LD minutes per month and free Caller ID. 2) Simply Savings Plus Plan at \$29.90 per month combines unlimited local calling with 250 domestic LD minutes per month plus free Caller ID, Call Waiting and choice of a third feature (Call Forwarding, Call Waiting ID or 3-Way Calling). Extra LD minutes with either of these 2 plans are billed at rate of \$.05 per minute 24/7. 3) Simply Savings Complete Plan at \$49.90 per month offers unlimited local and LD calling, all features, plus free Voice Mail.

In the more rural markets, competitors such as Big River Telephone are also offering customers packages combining local and long distance. Big River's advertising says: "Timeless talk from Big River". Big River Telephone Company offers residential customers in MO (where available), local service and unlimited long distance calling, plus 4 calling features, for \$44.44 per month.

1 **Q. ARE THE RESIDENTIAL ACCESS LINE SERVICES PROVIDED BY THESE**
2 **CLECS SUBSTITUTABLE FOR OR FUNCTIONALLY EQUIVALENT TO SBC**
3 **MISSOURI'S RESIDENTIAL ACCESS LINE SERVICES?**

4 A. Yes. As can be seen from the CLEC tariffs of Charter, Sage, Vartec and AT&T, the
5 residential access line services and line-related services provided by these competitors
6 provide the same type of access to the network that SBC Missouri's services provide.
7 Whether the customer is purchasing the service from SBC Missouri or from a CLEC, the
8 customer is receiving the ability to access the telecommunications network.

9
10 **Q. ARE THE PRICES THAT CLECS ARE CHARGING FOR RESIDENTIAL**
11 **ACCESS LINE SERVICES GENERALLY COMPARABLE TO THE PRICES**
12 **CHARGED BY SBC MISSOURI?**

13 A. Yes. Schedule 6 provides a table comparing some representative CLEC prices with SBC
14 Missouri's prices. As you can see from this table, the prices charged by CLECs are
15 comparable to those charged by SBC Missouri.

16
17 **Q. ARE THE LOCAL CALLING SCOPES OFFERED BY CLECS COMPARABLE**
18 **TO SBC MISSOURI'S LOCAL CALLING SCOPES?**

19 A. Yes. At a minimum, CLECs typically match SBC Missouri's local calling scopes.
20 However, in areas where optional MCA is available, CLECs sometimes do not assess
21 their customers a separate charge for this service. Sage is an example of a competitor
22 that has used this approach. Sage includes the MCA calling plan as a part of its bundled
23 offering but it is not charging an additional fee for the extending calling as SBC Missouri

1 does. As a result, SBC Missouri has lost a significant number of residential customers in
2 these optional MCA areas.

3
4 **Q. OTHER THAN TARIFFS, WHAT EVIDENCE IS THERE THAT THE**
5 **PRODUCTS OF THESE CLECS ARE SUBSTITUTES FOR SBC MISSOURI'S**
6 **LOCAL SERVICES AND THAT COMPETITORS ARE EFFECTIVELY**
7 **SERVING RESIDENTIAL CUSTOMERS TODAY?**

8 A. The marketing efforts of these competitors throughout the state of Missouri reflect that
9 CLECs are competing with SBC Missouri. I provide examples of advertisements that
10 appeared in SBC Missouri's exchanges targeting residential customers in Schedule 7.
11 These offers make it clear that CLECs are advertising these services as substitutes for
12 SBC Missouri's services. Their advertisements try to entice customers to disconnect
13 SBC Missouri's residential service and purchase the CLEC's service instead.

14
15 **Q. EARLIER YOU MENTIONED THAT SBC MISSOURI ALSO FACES**
16 **COMPETITION FOR RESIDENTIAL ACCESS LINE SERVICES FROM NON-**
17 **TRADITIONAL SOURCES SUCH AS WIRELESS SERVICE. PLEASE**
18 **EXPLAIN HOW WIRELESS SERVICES ARE SUBSTITUTABLE FOR SBC**
19 **MISSOURI'S RESIDENTIAL ACCESS LINE SERVICES.**

20 A. Please refer to Schedule 8 which is a matrix of the wireless offers currently in market in
21 Missouri. As referenced in Chip Shooshan's testimony, wireless service is a viable
22 substitute for landline service and many wireless users in Missouri have substituted
23 wireless service for landline service. Several wireless providers are offering plans with

1 no roaming charges and no domestic long distance charges, and include free Caller ID,
2 and free Call Waiting. Digital wireless service offers the same ability to make and
3 receive calls that SBC Missouri offers, including line-related services like Call Waiting
4 and Caller ID.

5
6 There are three types of customers who use wireless service as a substitute for SBC
7 Missouri's residential services: (1) those that completely replace landline phones with
8 wireless and use their wireless as their primary phones, (2) those who purchase wireless
9 phones instead of additional landline phones, and (3) those who migrate some of their
10 landline minutes of use to their wireless phones. As is evidenced by the survey results
11 presented in Mr. Shooshan's testimony, customers are increasingly substituting wireless
12 service for their traditional landline service. And wireless providers have an advantage
13 over land line providers – customers can take their phone with them, giving them the
14 freedom to make and receive calls wherever they are without worrying about missing a
15 call.

16
17 **Q. WHAT IMPACT DOES WIRELESS SUBSTITUTION HAVE ON RESIDENTIAL**
18 **WIRELINE SERVICE?**

19 **A.** Wireless substitution has led to a decline in primary access line growth , an increase in
20 disconnections of primary access lines and additional lines and a decline in the minutes
21 of use on the landline network. As I stated in response to the previous question, in some
22 instances, customers are using wireless service as a complete substitute for their landline
23 service. In doing so, customers are avoiding installation and monthly recurring charges

1 for landline service. Also, many customers are using wireless service as a second line.
2 Wireless penetration in the teen market has grown and has taken the place of the "teen
3 phone" or additional line. Also, many customers are using their wireless phone to make
4 toll calls since many wireless plans include unlimited toll calls thus displacing toll calls
5 that would typically be placed over the landline network.
6

7 **Q. ARE WIRELESS PROVIDERS REGULATED BY THE COMMISSION?**

8 A. No. Wireless providers are not under the jurisdiction of the Commission. They do not
9 receive certification from the Commission, they do not file tariffs with the Commission,
10 and the Commission does not regulate their prices.
11

12 **Q. YOU MENTION THAT WIRELESS PROVIDERS' PRICES ARE NOT**
13 **REGULATED BY THE COMMISSION. ARE THEIR PRICES REGULATED BY**
14 **THE FEDERAL COMMUNICATIONS COMMISSION (FCC)?**

15 A. No. There are typically several wireless providers in each market area and they are free to
16 price their services however they deem appropriate in the market.
17

18 **Q. YOU MENTIONED OTHER NON-TRADITIONAL SOURCES OF**
19 **COMPETITION FOR SBC MISSOURI'S RESIDENTIAL ACCESS LINE**
20 **SERVICES. PLEASE EXPLAIN HOW THESE TECHNOLOGIES ARE**
21 **SUBSTITUTABLE FOR SBC MISSOURI'S RESIDENTIAL ACCESS LINE**
22 **SERVICES.**

1 A. Cable telephony, which uses the cable wiring traditionally used to provide cable
 2 television, is a direct substitute for the SBC Missouri local telephone line. This form of
 3 telephony provides the same service and basic features as traditional phone service.
 4 Charter Cable is a good example. Charter provides cable telephony in Missouri
 5 throughout the St. Louis area. Many of SBC Missouri's former customers have selected
 6 Charter for their telephone service. The table below compares some of Charter's offers
 7 with those of SBC Missouri's:

	Charter	SBC
Access Line	\$9.00	\$7.49- \$12.40
MCA 3	\$10.95	\$12.35
MCA 4	\$12.35	\$21.55
MCA 5	\$19.95	\$32.50
3Way	\$2.75	\$2.62
Privacy Mgr	\$3.25	\$4.30
Call Waiting	\$7.25	\$8.00
Call Waiting ID	\$0.00	\$4.50
Speed 8	\$2.75	\$2.62
Anon Call Reject	\$1.50	\$2.20
Caller ID	\$6.75	\$9.65
5 feat pkg w/o MCA (includes access line)	\$17.95	\$31.95 *
5 feat pkg w MCA (includes access line)	\$29.95	\$41.90 **

* Enhanced Choice - includes access line, CID and 5 features

** Enhanced Choice plus MCA - includes access line, CID and 5 features & MCA

8 Cable companies also offer high-speed Internet access through the use of cable modems.
 9 The connection of the cable modem to the Internet via the cable service is a direct
 10 substitute for a second phone line that can be used to access the Internet via dial-up

1 access. Also, cable modem service provides the ability for customers to use VoIP
2 providers for telephone service.
3

4 **Q. WHAT ARE SOME EXAMPLES OF THESE TYPES OF PROVIDERS?**

5 A. Vonage is a VOIP provider in Missouri with a Local Access and Long Distance bundle in
6 the market. The details of its offering and advertising slogan are:

7 "Make this your local calling area." Vonage offers residents of MO a
8 selection of VoIP local and LD packages with 1 month free service. 1) Basic
9 500 at \$14.99 per month includes unlimited local calling and 500 minutes of LD
10 calling throughout the U.S. and Canada. 2) Unlimited Local at \$24.99 per month
11 includes unlimited local and regional toll calling plus 500 minutes of LD calling
12 throughout the U.S. and Canada. 3) Premium Unlimited at \$29.99 per month
13 includes unlimited local and LD calling throughout the U.S. and Canada. 4)
14 Small Biz Basic at \$39.99 includes 1500 minutes of local and LD calling
15 throughout the U.S. and Canada plus a free fax line. 5) Small Biz Unlimited at
16 \$49.99 per month includes unlimited local and LD calling throughout the U.S.
17 and Canada plus a free fax line. All packages include Voicemail, Caller ID with
18 Name, Call Waiting, Call Forwarding, Three Way Calling, Call Return and
19 more. Customers can keep current phone number and choose any area code.
20 "Great International rates" available, feature rich online management and access
21 to voicemail online via email or by phone.
22

23 As noted previously, AT&T has also entered the market in Missouri as a VOIP provider.

24 The details of its offer and advertising slogan are:

25 Introducing AT&T CallVantage Home Phone Service For High-Speed Internet."
26 AT&T now offers phone service over broadband in MO that includes unlimited
27 local and direct dialed domestic LD calling, new features not available with
28 regular phone service, traditional calling features and savings on international
29 calling. CallVantage is available to customers who have cable or DSL high
30 speed internet connection from any provider and enables customers to have calls
31 fast forwarded to 5 different numbers at once (not available outside the U.S.),
32 tell the phone not to ring but still let urgent calls through, and turn Voicemail
33 into talking email. Personal Conferencing is also currently provided free of
34 charge, but will become a paid feature in the future. Customers who sign up by
35 8/31/04 pay special introductory rate of \$19.99 per month for the first 6 months.
36

1 Furthermore, in many cases companies serving Missouri, like Charter, Time Warner,
2 Comcast and MediaCom, are providing their own VoIP services. Time Warner has a
3 VOIP offering in the Missouri similar to their cable telephony offer. The details and
4 advertising slogan for this offer are: Advertising slogan, "A Better Choice In Home
5 Phone Service Has Arrived". Time Warner Cable offers new residential customers in
6 Digital Phone serviceable areas of MO unlimited calling for "as low as" \$39.95 per
7 month. Includes unlimited local, in state, and interstate LD calling throughout KS, MO
8 and the U.S. Offer comes with free installation (works on existing phones and jacks), and
9 3 calling features including, Caller ID, Call Waiting, and Call Waiting ID. Customer can
10 keep existing phone number. Additional charges apply for Directory Assistance, Operator
11 Services, calls to International locations, taxes and fees. Digital Phone does not include
12 back up power and will not be available during power outages.

13
14 **Q. HOW WOULD YOU CHARACTERIZE THE GROWTH IN THE BROADBAND**
15 **MARKET?**

16 **A.** It has been explosive, and primarily driven by both residential consumers and small
17 businesses consumers:

- 18 • Consumers and small businesses far outnumber other subscribers in the
19 broadband market, comprising about 26.0 million, or 92 percent, of 28.2 million
20 broadband connections nationwide (*High-Speed Services for Internet Access:*
21 *Status as of December 31, 2003*)
22
- 23 • This consumer trend also holds true in Missouri, where consumers and small
24 businesses account for 92 percent of the state's 439,100 broadband connections.
25 (*High-Speed Services for Internet Access: Status as of December 31, 2003* (June
26 2004).
27

1 Q. WHAT ARE THE IMPLICATION OF THIS GROWTH IN WIRELESS AND
2 BROADBAND SERVICES FOR TRADITIONAL WIRELINE TELEPHONE
3 SERVICES?

4 A. The rapid increase in wireless and broadband connections reflects the trend of residential
5 customers to substitute these technologies for traditional wireline connections. The
6 continued growth of these services will continue to contribute to the decline of the
7 installation of the primary access line, the substitution and lack of installation of the
8 additional line as well as the decline of toll usage on the landline network.

9
10 Q. WHAT IMPACT WILL VOIP HAVE ON TRADITIONAL WIRELINE
11 TELEPHONE SERVICE?

12 A. Substitution of VoIP service for traditional landline services is already occurring, and
13 continuing substitution clearly will have a dramatic effect on traditional wireline
14 operators, such as SBC Missouri, as customers opt for Voice over IP-based services.

- 15 • Consumers are beginning to view VoIP as a viable alternative to traditional
16 wireline voice services. The rapidly growing availability of broadband
17 connections across the country gives this technology the potential for very high
18 market penetration and additional wireline substitution. The Yankee Group
19 reports that the percent of U.S. homes that could receive broadband services
20 grew from 64 percent at the end of 2001 to nearly 85 percent at the end of 2002.
21 (Yankee Group, "2003 Broadband Subscriber Forecast Sees Cable Operators
22 Shift into High Gear" (August 2003),
23
- 24 • Underscoring VoIP's future impact, Michael Powell, FCC chair, recently said in
25 an interview with the Wall Street Journal that the technology will change the
26 very nature of communications and not just the way we make phone calls. (The
27 Wall Street Journal, "A Cheap-Talkin' Bureaucrat" (July 21, 2004).
28
- 29 • This technology represents a sustainable competitive strategy to gain voice
30 market share. The technology is being exploited by multiple providers including
31 cable operators, wireline, Internet Service Providers (ISPs), and independent
32 VoIP providers.

- 1
- 2 • Competitors that have already announced their intent to serve the consumer
- 3 market utilizing VoIP technology include Charter, AT&T, Cox, Time Warner,
- 4 Comcast, Cablevision, Level 3 Communications, Vonage, and Packet8. Many of
- 5 these providers are currently competing for residential customers within the SBC
- 6 Missouri's service area (see Schedule 6).
- 7
- 8 • VoIP introduces another type of competitor who will gain voice market share.
- 9 Because many of these providers are not regulated, they have the flexibility to
- 10 compete in ways that SBC Missouri does not. These providers have not filed
- 11 tariffs nor have they sought pricing approval from the Commission. I believe
- 12 VoIP will have a big impact on the marketplace.
- 13
- 14

15 **Q. HAS THE NATURE OR PACKAGING OF TELECOMMUNICATIONS**

16 **SERVICES CHANGED SIGNIFICANTLY OVER THE LAST FEW YEARS?**

17 A. Yes. Wireline, wireless, cable, and VoIP service providers now compete directly for all
18 distance (national) voice usage.

- 19 • The voice communication market has evolved from an industry of "silo service-specific"
- 20 companies into an "intermodal" industry in which wireline, wireless, cable and VoIP
- 21 providers successfully compete for the same customer.
- 22 • Within the intermodal communications market in Missouri, providers such as Charter,
- 23 Time Warner AT&T, MCI, Birch, Sage, Vonage, Sprint PCS, T-Mobile, and Verizon
- 24 Wireless are examples of competing providers that combine various communications
- 25 services into packages offered for about \$50 per month (see Schedule 9). These packaged
- 26 services offer consumers the convenience of "one-stop shopping" for a variety of
- 27 communications needs at attractive prices for the bundle.

28

29 **Q. BASED ON YOUR EXPERIENCE, WHO ARE SBC MISSOURI'S PRIMARY**
30 **CLEC COMPETITORS FOR RESIDENTIAL VOICE SERVICE?**

31 A. Based on my observations, AT&T, Sage, Charter, VarTec, MCI, and Big River appear to
32 be our most active competitors.

33 **Q. YOU HAVE DEMONSTRATED THAT SEVERAL FORMS OF ALTERNATIVE**
34 **PROVIDERS EXIST AND THAT THEY PROVIDE SUBSTITUTABLE**

1 **SERVICES FOR SBC MISSOURI'S RESIDENTIAL ACCESS LINE SERVICES**
2 **IN MISSOURI. DO THESE VARIOUS FORMS OF COMPETITORS EXIST IN**
3 **ALL OF THE SBC MISSOURI EXCHANGES IN WHICH SBC MISSOURI IS**
4 **SEEKING A COMPETITIVE CLASSIFICATION FOR RESIDENTIAL ACCESS**
5 **LINE SERVICES?**

6 A. Yes. With respect to CLEC competitors, many CLEC tariffs indicate that they provide
7 residential access line services in all of SBC Missouri exchanges. Non-traditional
8 alternatives, such as wireless service and Internet based offerings, they are also available
9 to customers throughout SBC Missouri's territory. Schedule 10HC identifies competitive
10 losses by exchange.

11
12 **LINE-RELATED SERVICES SUCH AS VERTICAL SERVICES**

13 **Q. WHAT ARE VERTICAL SERVICES?**

14 A. Vertical services are line-related services offering features that can be added to
15 residential access lines to make the line more functional. The typical line-related services
16 are the numerous vertical services that SBC Missouri provides, but they also include
17 things like hunting which allows calls to "hunt" from a busy line to another line that is
18 not busy.

19
20 **Q. WHAT VERTICAL SERVICES DOES SBC MISSOURI OFFER?**

21 A. The vertical services offered by SBC Missouri are called EasyOptions® Services and
22 include the vertical and Custom Calling features (CCF). These include, but are not
23 limited to, services such as, Call Waiting, Auto Redial, Three Way Call, Call Blocker,

1 CallerID with Name Delivery, CallerID with Number Delivery, Speed Dial 8, and Call
2 Waiting ID.
3

4 **Q. EXPLAIN THE IMPACT OF RESIDENTIAL ACCESS LINE LOSS AND HOW**
5 **IT AFFECTS LINE-RELATED SERVICES.**

6 A. The basic residential access line and our additional access line products are point of entry
7 products, meaning that the customer must retain their residential access line to also obtain
8 our vertical services. When a customer disconnects their line and goes to a competitor,
9 SBC Missouri not only loses the recurring line revenue, but it also loses the opportunity
10 for any recurring revenue from the line-related services to which the customer has
11 subscribed.
12

13 **Q. WHAT TYPES OF COMPETITION EXIST FOR VERTICAL SERVICES?**

14 A. Competition for vertical services comes from the same types of providers as the
15 competition for the local services (e.g., CLECs, wireless carriers, VoIP providers). As
16 previously shown on Schedule 6, CLECs provide the same types of vertical services as
17 SBC Missouri and at comparable prices. Furthermore, as consumers substitute their
18 wireless service for traditional wireline service, they then obtain vertical services from
19 their wireless provider. Most, if not all, of the Easy Option Services and CCF vertical
20 services offered by SBC Missouri are available from wireless service providers.
21

22 **Q. ARE THE VERTICAL SERVICES THAT THE CLEC COMPETITORS OFFER**
23 **TARIFFED?**

1 A. Yes.

2

3 **Q. DO THESE CLEC TARIFFS DEMONSTRATE THAT CLECS ARE PROVIDING**
4 **THE SAME TYPES OF VERTICAL SERVICES THAT SBC MISSOURI**
5 **PROVIDES?**

6 A. Yes. For example, Sage provides services in the same exchanges that SBC Missouri's
7 services are offered. Sage's General Exchange Tariff shows that it offers the same
8 vertical services (Easy Options) as are listed in SBC Missouri's General Exchange Tariff.
9 (Schedule 11). Similar offerings can be found in Charter's tariff, which is attached as
10 Schedule 12.

11

12 **Q. ARE THE PRICES CHARGED BY CLECS FOR VERTICAL SERVICES**
13 **GENERALLY COMPARABLE TO THE PRICES CHARGED BY SBC**
14 **MISSOURI?**

15 A. Yes, they are. In Schedule 6, I provide several examples demonstrating that prices
16 charged by CLECs for vertical services generally compare to the prices charged by SBC
17 Missouri. For example, Charter's tariff shows that the monthly rate for 3Way calling is
18 \$2.75. The monthly rate that SBC Missouri charges for this service is \$2.62.
19 Additionally, Charter offers Speed 8 Dialing for \$2.75 while SBC Missouri offers this
20 service for \$2.62. Sage offers these same services for \$2.00 apiece.

21

22 **Q. EARLIER, YOU MENTIONED THAT SBC MISSOURI ALSO FACES**
23 **COMPETITION FOR VERTICAL SERVICES FROM NON-TRADITIONAL**

1 **SOURCES SUCH AS WIRELESS SERVICE. DO YOU HAVE EXAMPLES OF**
2 **MARKETING EFFORTS BY WIRELESS PROVIDERS SHOWING THAT**
3 **THESE PROVIDERS OFFER VERTICAL SERVICES SIMILAR TO SBC**
4 **MISSOURI'S VERTICAL SERVICES?**

5 A. I have demonstrated earlier in my testimony that customers are increasingly using
6 wireless service as a substitute for SBC Missouri's residential access services, and
7 wireless providers are also offering substitutable vertical services.

8
9 As shown in Schedule 8, Verizon, Sprint PCS, Nextel and T-Mobile offer wireless
10 service packages which includes voice mail, Call Waiting, 3 Way Calling, and other
11 vertical features.

12
13 **Q. YOU HAVE DEMONSTRATED THAT SEVERAL FORMS OF ALTERNATIVE**
14 **PROVIDERS EXIST AND THAT THEY PROVIDE SUBSTITUTABLE**
15 **SERVICES FOR SBC MISSOURI'S VERTICAL SERVICES IN MISSOURI. DO**
16 **THESE VARIOUS FORMS OF COMPETITORS EXIST IN ALL OF SBC**
17 **MISSOURI'S EXCHANGES?**

18 A. Yes. As I explained, the same types of providers that offer access line services, such as
19 basic local service, also provide line-related services, such as vertical services like Caller
20 ID and call waiting. They do this to meet customer needs and to increase revenues.
21 Since these providers compete throughout SBC Missouri's exchanges, they also offer
22 these vertical services throughout SBC Missouri's exchanges.

1 **Q. WHY SHOULD THIS COMMISSION DECLARE SBC MISSOURI**
2 **RESIDENTIAL ACCESS LINES AND LINE RELATED SERVICES**
3 **COMPETITIVE?**

4 **A.** Considering both function and price, there are many competitors in Missouri providing
5 functionally equivalent and substitutable products and services in the consumer market
6 related to residential access line services and line-related services like vertical services.
7 The growth in the number of competitors, the breadth of comparable alternatives and
8 competitor marketing efforts clearly demonstrate that comparable alternatives exist
9 throughout all of SBC Missouri's exchanges in Missouri. The time for competitors to
10 have a regulatory-imposed advantage has ended. The Commission should permit the
11 statute to work as the Legislature intended and should grant a competitive classification
12 for SBC Missouri's residential access line and line-related services.

13
14 **Q. WHAT IMPACT WOULD IT HAVE ON THE MARKET IF THESE**
15 **PRODUCTS/SERVICES ARE DECLARED COMPETITIVE? HOW WILL**
16 **CUSTOMERS BENEFIT?**

17 **A.** As touched on earlier, flexibility in pricing encourages the introduction of new products
18 and technologies into the market. Entrepreneurs are looking for the opportunity to
19 provide products or service to buyers where there is an ability to earn profits. These new
20 technologies will meet customers' needs for new services, helping to improve the quality
21 of their life. It is important to remember that SBC Missouri, as a business, acts as an
22 entrepreneur. Customers will benefit by allowing SBC Missouri to be more innovative
23 and to take more risks. For example, pricing flexibility would allow us to provide better

1 bundles at better prices, something our research has told us that customers want. By the
2 same token our initiatives will lead our competitors to offer their own services at better
3 prices, something that also benefits both customers and the Missouri telecommunications
4 market as a whole.
5

6 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

7 A. I have demonstrated that there are alternative providers providing services that are
8 substitutable for or functionally equivalent to SBC Missouri's residential access line and
9 line-related services. These competitors include traditional CLECs, cable providers,
10 wireless providers and VoIP providers. SBC Missouri is seeking a competitive
11 classification for its residential access line and line-related services so it can compete on
12 more equal terms with its competitors, and it has demonstrated that this classification is
13 warranted.
14

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes, it does.

SUMMARY OF EDUCATION AND WORK EXPERIENCE

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I have a BA in Communications from the University of Oklahoma awarded in May 1988.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE WITH SBC.

A. I am employed by SBC Operations Inc. My title is Director – Consumer Marketing. I have been with SBC for 10 years. My experience has been primarily in Consumer Marketing. My responsibilities include delivering products and promotions that meet the market demand. This includes understanding Residential customers telecommunications needs as well as the competitive offers in the marketplace. I am also responsible for providing regulatory support, life cycle management and product pricing management.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION?

A. No, I have not.

Residential Service Descriptions and Line Related Services

Flat Rate Service is an Exchange Service furnished for a specified sum without regard to the amount of use. A flat rated line that provides residence customers the ability to make and receive telephone calls. These lines can be used to make voice telephone calls or to transmit data to or from the public switched network.

Measured Service is a class of service for which a charge is made in part on the basis of network access and, in part, on the basis of four local usage pricing elements, number of local messages, the duration of the message, the distance of the message within the local area and the time of day the message was placed. (General Exchange Tariff Sect 8)

A usage rated line that provides residence customers the ability to make and receive telephone calls. These lines can be used to make voice telephone calls or to transmit data to or from the public switched network.

Message Rate Service is a class of Exchange Service, not including coin box service, for which charge is made wholly or in part on the basis of amount of use.

Customers contracting for message rate service are billed monthly at rates specified in the Local Exchange Tariff plus charges for local messages in excess of the message allowance, if any, used during the preceding month.

EAS (Extended Area Service) is a local exchange service that is provided between two or more contiguous exchange areas. Extended Area Service is a non-optional arrangement whereby customers in one exchange can call customers in contiguous exchanges, thereby expanding the local calling scope without paying toll charges for each call.

Metropolitan Exchange Service (MCA) is an expanded metropolitan calling service that provides toll free calling between and among metropolitan exchanges radiating out from the main metropolitan center in the three major metropolitan areas in Missouri. The service is mandatory in some exchanges and optional in others.

Vertical Services

Caller ID provides for the transmission of Calling Party Number (CPN) and Calling Name Delivery information to the subscriber's access line. Caller ID customers must provide and connect their own compatible premises equipment (CPE) to process the information.

Call Waiting alerts a customer that another caller is trying to reach him. Customers also have the ability to temporarily deactivate their Call Waiting services for the duration of one call. Call Waiting is automatically re-activated for the next originating or terminating call.

Call Forwarding enables a customer to transfer their incoming calls to another phone number.

Three-Way Calling enables a customer to add a third party to an existing call, thereby establishing a conversation between three different parties.

Call Return enables a customer to redial the number of their last incoming call. If the number is busy, the Telephone Company's equipment will attempt to re-dial the number for up to 30 minutes. The subscriber will be signaled via a special ring when the call is no longer busy and can be successfully completed.

Auto Redial enables a customer to automatically redial the last outgoing telephone number that was dialed. If the re-dialed telephone number is busy, the Telephone Company's equipment will attempt to re-dial the number for up to 30 minutes. The subscriber will be signaled via a special ring when the call is no longer busy and can be successfully completed.

Priority Call provides the subscriber with a distinctive ring or Call Waiting tone (if the customer has subscribed to Call Waiting) when incoming calls are placed from previously designated phone numbers. The subscriber constructs his own screening list of telephone numbers by dialing a unique code.

Call Blocker enables the customer to block calls that originate from preselected telephone numbers and/or the last incoming call (without actually knowing the number). To block certain numbers, the subscriber creates a screening list. The telephone number of the last incoming caller can be added to the screening list by dialing a special code.

Call Forwarding Busy Line allows incoming calls that encounter a busy condition to be automatically forwarded to a pre-designated telephone number.

Call Forwarding Don't Answer allows incoming calls that are not answered after a pre-selected number of rings to be automatically forwarded to a pre-designated telephone number.

Selective Call Forwarding enables the customer to forward incoming calls that originate from pre-selected telephone numbers to another telephone number. The subscriber constructs a screening list by dialing a specific activation code.

Anonymous Call Rejection allows customers to automatically reject calls that have been blocked or marked anonymous by the calling party.

Privacy Manager enables a customer to manage incoming calls that have been identified as "anonymous", "out of area", "unavailable" or "private" before their phone rings. These types of calls are intercepted and an announcement is played informing the caller to either record their name, temporarily unblock the delivery of their phone number or enter a by-pass code.

Internet Caller ID allows a customer to be notified of an incoming call via a pop-up dialog box on their personal computer while logged onto the internet. The subscriber will see the Caller ID information of the incoming caller and has several call disposition options to choose from.

Hunting

Customers with more than one line where facilities exist may purchase this service.

Rotary Hunt is the hunt for an idle line starts with the called line in a prearranged group and ends with the last line in the group, completing the all to the first idle line encountered. Unless the first line is called, only a portion of the group is hunted.

Circle Hunt is the feature that permits a complete hunt sequence over all the lines in a prearranged group. If no idle line is encountered, the hunt will continue until it reaches the line that was originally called.

Preferential Hunt is a hunt list that permits a pre-hunt over a subset or preferential group of lines before hunting through the multiline hunt group.



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Press Release

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AT&T CallVantage Service Expands to 21 New Markets in Seven States in Nationwide Deployment

Thursday August 19, 9:35 am ET

AT&T Adds Unlimited Calls to Canada to Flat Rate Plan and extends \$19.99 Promotional Offering

Introduces Wiring Solution to 'Light' the Entire Home

BEDMINSTER, N.J., Aug. 19 /PRNewswire/ — Building on the support of its new brand advertising campaign, AT&T today continued its aggressive rollout of residential Voice over Internet Protocol (VoIP) phone service, called AT&T CallVantage(SM) Service, providing consumers in 21 additional markets a high-tech alternative for their personal communications needs.

In addition, the company announced that calling to Canada will now be included as part of the unlimited nationwide service at no extra charge and that it is extending the special six-month introductory rate of \$19.99 a month through September 30, 2004. The cost of service is then \$34.99 a month.

AT&T also introduced an inside wiring service for residential subscribers that makes it easier for consumers to hook up multiple home phones to AT&T CallVantage Service replicating the traditional home calling environment.

"These are exciting developments for consumers as we continue an aggressive transformation of our business to an IP-based technology leader," said Cathy Martine, AT&T senior vice president for Internet Telephony. "Our size and reach allows AT&T to make AT&T CallVantage Service available from coast to coast so that consumers can more quickly reap the benefits of this exciting new technology."

The company's latest AT&T CallVantage news comes as AT&T promotes the groundbreaking service through a series of ads that are running throughout the Olympic Games. The ads feature the AT&T inventors who developed the rich features, such as Do Not Disturb, Locate Me and Personal Conferencing, that set AT&T CallVantage apart in the market. "Through the words of its inventors, our advertising campaign is demonstrating the convenience, innovation and value that AT&T CallVantage delivers to customers," Martine said.

AT&T is expanding its service footprint in the metropolitan areas of New Orleans and Baton Rouge, La.; Albuquerque, N.M.; Las Vegas, Nev.; Oklahoma City, Okla.; and Greenville and Columbia, S.C.

The company today also made service available to residents of Huntsville, Ala.; Tucson, Ariz.; Colorado Springs, Colo.; Daytona Beach, Fla.; August-Aiken, Ga.; Louisville, Ky.; Grand Rapids, Mich.; Akron and Dayton, Ohio; Harrisburg, Pa.; Memphis, Tenn., and neighboring communities in Arkansas and Mississippi; El Paso, Texas; Norfolk, Va.; and Madison, Wis.

"Today's market entries place us in 39 states and Washington, D.C. — that's 121 major markets since we introduced the service in late March," said Martine. "However, because the breadth of our footprint cuts so wide, we actually offer customers the ability to maintain their existing phone numbers in some 170 overlapping markets today. This demonstrates our commitment to get IP technology into the hands of consumers just as fast as possible."

While VoIP is an exciting technology with great promise, it is not a complete substitute for traditional telephone service because it does not serve the needs of millions of Americans who cannot obtain or afford the high-speed Internet

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1 of 14

connection required for AT&T CallVantage Service. Though a growing number of households have access to these broadband connections through their cable or local telephone company, only about 25 percent subscribe nationally.

"VoIP applications might just be the catalyst that consumers are seeking to justify their investment in broadband," said Martine.

VoIP is an innovative technology that promises to change the way people communicate. A core concept of AT&T CallVantage Service, which is built on AT&T Labs patented technology, is its ability to quickly introduce new features and capabilities to the platform.

"AT&T continues to lead the adoption of VoIP services by both businesses and consumers as it delivers the next generation of communications that our customers demand," said Martine. "We're going to use every channel possible to introduce consumers to this exciting technology."

Broad array of features

AT&T CallVantage Service is different than traditional phone services because, through the use of IP-based networks, it can offer customers typical features such as call waiting, three-way calling, and call forwarding, and far more advanced ones as well. Indeed, consumers will get unprecedented convenience and control with innovative features including:

- "Call Logs," to track incoming and outgoing;
- "Do Not Disturb," to receive calls only when wanted;
- "Locate Me," which rings up to five phones, all at once, or sequentially;
- "Voicemail with eFeatures," to listen to messages from any phone or PC and forward them to anyone on the Web; and
- "Personal Conferencing," to set up meetings with up to nine additional callers.

All that is required for service is an easy-to-connect, plug-in telephone adapter (TA) provided by AT&T, a broadband Internet connection and regular telephone supplied by the customer. It is simple to use and easy for consumers to install-typically in 10 minutes.

AT&T CallVantage Service works with most cable modem or digital subscriber line (DSL) broadband connections. The TA is compatible with most home computer networks and may be used in conjunction with various home network routers. And the adapter can be used from almost any location where there is a telephone and a broadband connection. That gives customers the ability to stay connected by taking this service with them when they travel.

The service includes a complete calling solution that provides unlimited local and long-distance domestic calling, including unlimited calls to Canada, Puerto Rico and the U.S. Virgin Islands, discount rates for international calling, and a suite of advanced features that customers have never experienced before.

"We're delighted to offer consumers even greater value by including unlimited calls to Canada as a standard part of the service and extending our popular promotional offer," said Martine. "AT&T CallVantage Service is certainly giving customers more of what they want in broadband phone service -- competitive rates, advanced services and the industry's best call quality."

As a special incentive, the company will offer AT&T CallVantage customers an opportunity to participate in its program that provides up to one month of free service (maximum of 12 months) for each referral and sale, where permissible by state law.

New inside wiring service

AT&T also introduced an inside wiring service designed to connect a customer's existing home telephone configuration to AT&T CallVantage Service and activate extensions throughout the home. For a fee, AT&T will dispatch a trained technician to the customer's home. The technician will reconfigure existing lines and telephone jacks, install additional jacks if required, and provide limited assistance with service set-up. The interval for scheduling service is two to five days.

"We established the benchmark for voice quality and innovative features when we launched AT&T CallVantage Service. Now we're replicating the familiar home phone environment that everyone is comfortable with and making the service even more user-friendly," added Martine.

For "do-it-yourselfers," AT&T plans to introduce an easy-to-follow home wiring guide for VoIP service. The guide will offer customers step-by-step instructions and tips to make the most efficient use of their existing configuration for AT&T CallVantage Service.

To learn more about AT&T CallVantage Service, consumers can visit <http://www.CallVantage.com> or call 1-866-816-3815, extension 70339.

About AT&T

For more than 125 years, AT&T (NYSE: T - News) has been known for unparalleled quality and reliability in communications. Backed by the research and development capabilities of AT&T Labs, the company is a global leader in local, long distance, Internet and transaction-based voice and data services.

AT&T 'Safe Harbor'

The foregoing contain 'forward-looking statements' which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside AT&T's control, that could cause actual results to differ materially from such statements. For a more detailed description of the factors that could cause such a difference, please see AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results of AT&T.

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AT&T dials up VoIP service with cable deals**USATODAY.com**

Thu Aug 19, 8:57 AM ET

By Leslie Cauley, USA TODAY

AT&T (T) is teaming with America's big cable TV operators to offer phone service over their broadband Internet lines, marking the telecom giant's first big move since it announced plans to abandon its traditional consumer long-distance business.

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TECH TUESDAY

SETTING UP A NEW PC

New PC? No Problem!

Get old files onto a new PC.

Plus, how to buy a new computer, and ditch your old one.

To drive deployment of its CallVantage Internet-phone service, AT&T has struck marketing agreements with Comcast (CMCSA), Time Warner (TWX), Cox (COX) and Charter Communications (CHTR). Mediacom (MCCC), a New York-based cable TV operator with 1.5 million customers in 23 states, also is participating. The five cable operators together have more than 40 million customers.

Under the plan, AT&T will refer callers seeking to sign up for its CallVantage package to the appropriate cable operator to set up broadband Internet access. With Voice over Internet Protocol (VoIP) calling, the phone is connected to a broadband line rather than a traditional copper phone line. AT&T sales representatives will ask for the caller's ZIP code and direct them accordingly. "As many customers as they'll drive our way, we'll take them," says Dave Andersen of Charter.

Boyd Peterson, an analyst with Yankee Group, thinks the plan makes good business sense. "It's a pretty simple thing to do that benefits both parties."

The VoIP push comes less than a month after AT&T announced plans to stop marketing long-distance services to residential customers. Though consumer long-distance has been the cornerstone of AT&T's business for more than 125 years, revenue is plummeting 20% annually. That, along with a string of unfavorable federal regulatory rulings, has forced AT&T to rethink its business strategy.

CallVantage will, to some extent, compete with the cable operators' own Internet-based phone offerings. But they are willing to take that risk because the alliance may help drive overall broadband sales. "It's a good thing for both of us," says Mark Harrad, a spokesman for Time Warner Cable, a division of media giant Time Warner. The company has partnerships with MCI and Sprint for its own VoIP product, called Digital Phone.

Still, the AT&T pact is unusual in that it is aimed at promoting the rollout of a competing product. AT&T is "a partner on one side and potential competitor on the other," Harrad notes.

Cable operators' phone offerings have long suffered from the perception that their networks are inferior to the Bells, and they appear to be using AT&T to help ease those concerns. Verizon and other telecom giants now face the prospect of competing against cable operators fortified by the fading but still iconic AT&T brand.

"AT&T's selection of Comcast and other cable providers is a strong endorsement of the value, capability and reliability of our high-speed Internet service," says Dave

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Snapshots

Watson, an executive vice president at Comcast.



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Press Release

AT&T CallVantage Service To Be Available in More Than 600 Best Buy Stores Nationwide

Monday August 23, 10:27 am ET

First Distribution Agreement to Spur Growth and Adoption of New AT&T Telephone Service

BEDMINSTER, N.J., Aug. 23 /PRNewswire/ -- AT&T today announced that Best Buy will be a retailer to offer AT&T's residential Voice over Internet Protocol (VoIP) phone service, AT&T in its 628 stores nationwide and online at www.bestbuy.com.

AT&T CallVantage Service will be available in Best Buy stores nationwide beginning this fall. In agreement, Best Buy and AT&T will promote AT&T CallVantage Service through in-store mass broadcast and online advertising.

"We're delighted to launch our retail strategy for AT&T CallVantage Service with Best Buy, a respected brand name and the nation's leading specialty retailer of technology and entertainment services," said Cathy Martine, AT&T senior vice president for Internet Telephony, Consumer Services. "This is one of a series of retail agreements we intend to announce that will make AT&T CallVantage Service widely and conveniently available to as many consumers as possible."

"Voice-over IP is an exciting technology and service offering for consumers and small business. Sprosty, vice president of subscription services at Best Buy. "The consumer value proposition is clear. People can save money utilizing this feature-rich service. We're excited to add AT&T CallVantage Service to our VoIP, telephony and networking products and services and provide our consumers with more choice on our website."

AT&T CallVantage Service is different from traditional phone services because, through the service, it offers customers a complete calling solution that delivers unlimited local and long-distance features such as call waiting, three-way calling, and call forwarding, and many more as well as get unprecedented convenience, cost savings and control with innovative features including

- "Call Logs," to track incoming and outgoing;
- "Do Not Disturb," to receive calls only when wanted;
- "Locate Me," which rings up to five phones, all at once, or sequentially;
- "Voicemail with eFeatures," to listen to messages from any phone or PC and forward to e-mail, Web; and
- "Personal Conferencing," to set up meetings with up to nine additional callers.

All that is required for service is the easy-to-connect Telephone Adaptor (TA) included in the service. The broadband Internet connection and regular telephone supplied by the customer. It is simple for consumers to install -- typically in 10 minutes.

AT&T CallVantage Service works with most cable modem or digital subscriber line (DSL) broadband. The TA is compatible with most home computer networks and may be used in conjunction with various routers. The adapter can be used from almost any location where there is a telephone and a broadband connection.

Traveling with the TA and AT&T CallVantage Service gives customers the ability to stay connected by taking this service with them as they travel.

The nationwide service is generally available to consumers wanting local area codes and numbers in 39 states and Washington, D.C.

To learn more about AT&T CallVantage Service, consumers can visit <http://www.CallVantage.com> or call 1-866-816-3815, extension 70339.

About AT&T

For more than 125 years, AT&T (NYSE "T") has been known for unparalleled quality and reliability in communications. Backed by the research and development capabilities of AT&T Labs, the company is a global leader in local, long distance, Internet and transaction-based voice and data services.

AT&T 'Safe Harbor'

The foregoing contain 'forward-looking statements' which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside AT&T's control, that could cause actual results to differ materially from such statements. For a more detailed description of the factors that could cause such a difference, please see AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results of AT&T.

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Source: AT&T

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AUGUST 25, 2004



Amazon.com Offers AT&T CallVantage

BEDMINSTER, N.J. – AT&T (NYSE: T - [message board](#)) today announced that Amazon.com (Nasdaq: [AMZN - message board](#)), a leading retailing Website (<http://www.amazon.com>), will offer AT&T CallVantage(SM) Service, the company's residential Voice over Internet Protocol (VoIP) broadband phone service, to consumers.

Amazon.com customers can find AT&T CallVantage in the Electronics Store at Amazon.com by searching for VoIP or CallVantage. "Tech-savvy shoppers know Amazon.com to be one source where they can find all of their online purchases quickly and easily," said Cathy Martine, AT&T senior vice president for Internet Telephony. "We're delighted to launch our e-tail strategy for AT&T CallVantage Service online with Amazon.com. Our goal is to make our service widely and conveniently available to as many consumers as possible."

AT&T CallVantage Service is now available to consumers in 170 U.S. markets coast to coast and is currently being trialed overseas for use by remote workers of U.S. multinational corporations. All that's required to use AT&T CallVantage is a telephone adapter provided by AT&T and a broadband connection, which lets consumers talk over high-speed Internet connections instead of traditional circuit-switched phone networks.

AT&T CallVantage Service is different than traditional phone services because, through the use of IP-based networks, it can offer customers typical features such as call waiting, three-way calling, and call forwarding, and far more advanced ones as well. Indeed, consumers will get unprecedented convenience, cost savings and control with innovative features including:

- "Call Logs," to track incoming and outgoing;
- "Do Not Disturb," to receive calls only when wanted;
- "Locate Me," which rings up to five phones, all at once, or sequentially;
- "Voicemail with eFeatures," to listen to messages from any phone or PC and forward them to anyone on the Web; and
- "Personal Conferencing," to set up meetings with up to nine additional callers.

The agreement continues the momentum behind AT&T CallVantage. In addition to AT&T's direct marketing and advertising efforts, the company sees opportunities to expand its distribution channels through co-marketing, distributor and additional retail/e-tail relationships.

AT&T Corp.

www.lightreading.com

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Press Release

Source: AT&T

Circuit City Signs On to Sell AT&T CallVantage Service

Wednesday September 29, 10:12 am ET

Agreement Expands Retail Distribution Base of AT&T's Voice over IP Offer

BEDMINSTER, N.J., Sept. 29 /PRNewswire/ – AT&T today announced that beginning October 1, Circuit City Stores, Inc. will sell AT&T CallVantage(SM) Service through its stores in markets where AT&T offers its new broadband phone service and online at <http://www.circuitcity.com>.

AT&T CallVantage Service is now available to consumers in more than 170 markets in 39 states and Washington, D.C., which covers 80 percent of Circuit City's existing retail footprint.

Under terms of the agreement, Circuit City and AT&T will promote AT&T CallVantage Service through in-store marketing, print, and online advertising.

"Voice over IP is an emerging technology, and we are excited to offer customers choices when it comes to purchasing Internet telephony," said Doug Moore, senior vice president, merchandising at Circuit City. "Voice over IP offers consumers convenience and savings on their local and long-distance calling needs."

"Circuit City is one of the nation's top consumer electronics retailers," said Cathy Martine, AT&T senior vice president for Internet Telephony. "By expanding our retail distribution base into Circuit City stores and making the service more widely available, we're well-positioned for the holiday shopping season."

AT&T CallVantage Service is different from traditional phone services because, through the use of IP-based networks, it offers customers a complete calling solution that delivers unlimited local and long-distance domestic calling, and offers typical features such as call waiting, three-way calling, and call forwarding. Consumers will get convenience, cost savings and control with innovative features including:

- * "Call Logs," to track incoming and outgoing;
- * "Do Not Disturb," to receive calls only when wanted;
- * "Locate Me," which rings up to five phones, all at once, or sequentially;
- * "Voicemail with eFeatures," to listen to messages from any phone or PC and forward them to anyone on the Web;
- * "Simple Reach(SM) Number, which enables AT&T CallVantage Service customers to add up to nine additional telephone numbers anywhere in the country where AT&T offers residential VoIP service; and
- * "Personal Conferencing," to set up meetings with up to nine additional callers.

All that is required for service is the easy-to-connect Telephone Adaptor (TA) included in the Welcome Package, a broadband Internet connection and a regular telephone supplied by the customer. It is simple to use and easy for consumers to install-typically in 10 minutes.

AT&T CallVantage Service works with most cable modem or digital subscriber line (DSL) broadband connections. The TA is compatible with most home computer networks and may be used in conjunction with various home network routers. The adapter can be used from almost any location where there is a telephone and a broadband connection giving customers the ability to stay connected by taking this service with them as they travel.

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To learn more about AT&T CallVantage Service, consumers can visit <http://www.CallVantage.com> or call 1-866-816-3815, extension 70339.

About Circuit City Stores, Inc.

Richmond, Va.-based Circuit City Stores (NYSE: CC - News) is a leading specialty retailer of consumer electronics. Circuit City operates 608 Superstores and five mall-based stores in 158 U.S. markets. Its International segment operates through more than 1,000 retail stores and dealer outlets in Canada. Circuit City also operates a Web site at <http://www.circuitcity.com>.

About AT&T

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- (Logo: <http://www.newscom.com/cgi-bin/pmh/19991018/ATT>)

Source: AT&T

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AT&T, Vonage Cut Prices on Internet Calling

Reuters

Thursday, September 30, 2004; 1:51 PM

By Justin Hyde

WASHINGTON (Reuters) - AT&T Corp. and Internet telephone provider Vonage said on Thursday they were cutting prices for their residential Internet calling services by \$5 per month, the strongest signs yet of a price war in the nascent market.

AT&T, which made Internet calling services a priority after announcing its retreat from traditional residential telephone services in July, said it was lowering the price on its CallVantage service by \$5 per month to \$29.99. It said the cut, along with an offer of one free month for some new subscribers, was meant to spur demand ahead of the holiday season.

Vonage, the largest U.S. Internet calling service with 270,000 subscribers, announced a few hours later that it would lower the price of its unlimited service by \$5 to \$24.99 per month. Vonage also said it would upgrade customers on a limited plan that had cost \$24.99 to the unlimited service for free.

More than a dozen companies currently offer voice over Internet Protocol, or VOIP, services to U.S. residential customers. Most offer unlimited local and long-distance calls for \$30 per month or less, with some as low as \$19.95, although those fees do not include the broadband Internet connection that VOIP requires. Comparable plans for traditional service from the dominant U.S. telephone carriers typically cost about \$60 to \$70 per month.

The rise of consumer VOIP has been driven by the growing number of U.S. households with broadband Internet access, as well as steep declines in the cost of the infrastructure necessary to run VOIP services. Vonage, a New Jersey start-up, was able to garner more than 200,000 subscribers for about \$103 million in venture capital and raised another \$105 million last month for expanding into foreign markets.

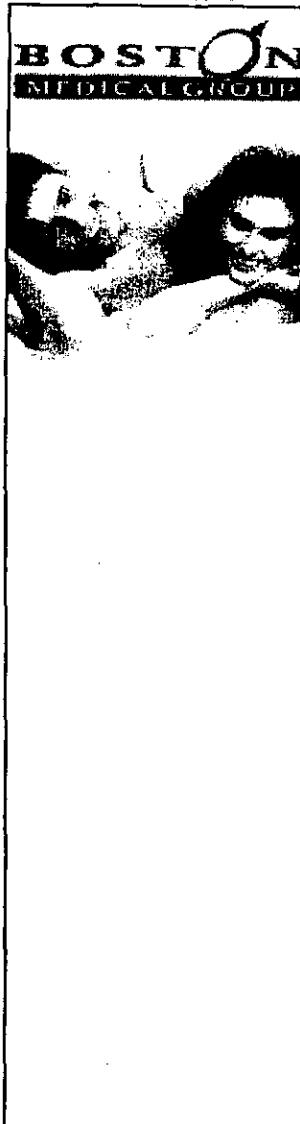
While industry experts estimate the current residential VOIP market has less than 1 million subscribers, they expect sharp growth starting in 2005 as large cable companies such as Comcast Corp. roll out their VOIP services. Communications consulting firm Yankee Group forecasts VOIP services will win 17.5 million residential users by 2008.

Analysts say more VOIP competitors will add even more pricing pressure that may imperil some small companies. Before Thursday's moves, AT&T had already lowered the price of CallVantage once, and other providers offer free months, or limited calling plans for as little as \$10 per month.

"The low barriers to entry makes the business all the more competitive and currently all players are competing on price with very little differentiation," UBS analyst John Hodulik said in a research note.

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AT&T Wireless

Choose Your Free Cellular Phone or Get 2 Free Phones With Family Plan
www.cellularchoices.net

AT&T Wireless Web Site

Free Phones & Plans as low as 19.99 with activation, restrictions apply
attwireless.com

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AT&T customer service, local and long distance. att
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Press Release

Source: AT&T

AT&T Introduces New Residential VoIP Plan

Thursday October 14, 8:13 am ET

Feature-rich Unlimited Local Service for \$19.99 per month

BEDMINSTER, N.J., Oct. 14 /PRNewswire/ -- Providing customers a choice in voice over Internet Protocol (VoIP) calling plans, AT&T today introduced an unlimited local version of its popular residential broadband phone service called AT&T CallVantageSM Local Plan.

For \$19.99 per month, customers receive unlimited local calling and access to the entire AT&T CallVantage Service advanced feature set. All local toll and long distance calling in the U.S. and to Canada will be billed at \$0.04 a minute. International calling will be billed by the minute at rates on average 50 percent less than the company's leading offers. The new calling plan will become available October 17.

"The AT&T CallVantage Local Plan was designed to serve the needs of those customers who make relatively few long distance calls, but who are looking for an economical, feature-rich, local service alternative," said Cathy Martine, AT&T senior vice president for Internet Telephony. "This plan provides the best of all worlds, unlimited local calling, very competitive long distance rates and access to a complete suite of powerful calling features including voicemail."

The AT&T CallVantage Local Plan is available to consumers in more than 170 markets coast-to-coast representing 62 percent of the nation's households.

Upon signing up, all that's required to use AT&T CallVantage Local is a telephone adapter provided by AT&T or its valued retailers, and a broadband connection, which lets consumers talk over high-speed Internet connections.

The AT&T CallVantage Local Plan is different than traditional phone services because, through the use of IP-based networks, it can offer customers typical features such as call waiting, three-way calling, and call forwarding, and far more advanced ones as well. Indeed, consumers will get unprecedented convenience, cost savings and control with innovative features including:

- "Call Logs," to track incoming and outgoing calls; - "Do Not Disturb," to receive calls only when wanted; - "Voicemail with eFeatures," to listen to messages from any phone or PC

and forward them to anyone on the Web;

- "Simple Reach(SM) Number, which enables customers to add up to nine telephone numbers with area codes anywhere in the country where AT&T offers residential VoIP service for \$4.99 per number;
- "Personal Conferencing," to set up meetings with up to nine additional callers; and,
- "Locate Me," which rings up to five phones, all at once, or sequentially (long distance charges will apply to calls forwarded to non-local numbers).

All AT&T CallVantage Service customers also receive a "Home Wiring Do-It- Yourself Guide" with each self-install kit that provides step-by-step instructions for connecting the service to multiple home phones to replicate the traditional home calling environment and make the most efficient use of their existing telephone equipment.

For those homeowners who prefer that a trained technician perform the work, AT&T has a fee-based inside wiring service to reconfigure existing lines and telephone jacks, install additional jacks if required, and provide limited assistance with service set-up.

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"Now customers can choose between an unlimited local plan for \$19.99 a month or the original unlimited local and long distance plan for \$29.99 a month," said Martine.

Both AT&T CallVantage Service plans are available through many of the nation's leading retailers including Amazon.com, Best Buy, Circuit City and TigerDirect.com.

To learn more about AT&T CallVantage Service, consumers can visit <http://www.CallVantage.com>, call 1-866-816-3815, extension 70339, or visit one of these retailers.

About AT&T

For more than 125 years, AT&T (NYSE "T") has been known for unparalleled quality and reliability in communications. Backed by the research and development capabilities of AT&T Labs, the company is a global leader in local, long distance, Internet and transaction-based voice and data services.

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Source: AT&T

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**Broadband Availability
SBC Missouri**

**Data Source: Claritas iMark Demographic Analyzer data based on Census2000
Boundaries based on Nielson Cable 4Q2003**

Sum of 2003 Households		
State	Broadband Type	Total
MO	CABLE MODEM	** **
	DSL	** **
	DSL/CABLE MODEM	** **
	NO DSL/NO CABLE MODEM	** **
MO Total		** **

**Broadband DSL Cable Modem
Availability Availability Availability**

87% 65% 71%

Note: Totals represented here encompass SBC Missouri wireline service area.

Missouri Residential Line Losses to CLECs

Month	SBC Accounts	Loss to CLECs	% of SBC Accts Lost to CLECs	SBC Average Revenues for Top Tier	Average Revenues of Top Tier Lost to CLECs	% of Lost Customers >\$30	% of Lost Customers >\$35
Jul-03							
Aug-03							
Sep-04							
Oct-03							
Nov-03				All			
Dec-04				Information			
Jan-04				is			
Feb-04				Highly			
Mar-04				Confidential			
Apr-04							
May-04							
Jun-04							
Jul-04							

Total Customers Lost to CLECs ** _____ **

Average Revenue of Top Tier SBC Customer ** _____ **

Average Revenue of Top Tier Lost Customer to CLEC ** _____ **

Average % of Departing Customers with Revenues > \$30 Month ** _____ **

Average % of Departing Customers with Revenues > \$35 Month ** _____ **

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Price Comparison

	Charter	SBC	Sage	Vartec	AT&T
Access Line	\$9.00	\$7.49-\$12.40	\$25 (Basic Service)	\$29.95	21.95 / 22.95
MCA 3	\$10.95	\$12.35	\$34 (Metropolitan Plan)		14.95 ADDITIONAL
MCA 4	\$12.35	\$21.55			
MCA 5	\$19.95	\$32.50			
3Way	\$2.75	\$2.62	\$2.00	\$3.95	\$3.20
Privacy Mgr	\$3.25	\$4.30			
Call Waiting	\$7.25	\$8.00	\$4.00	\$3.95	\$8.00
Call Waiting ID	\$0.00	\$4.50	\$2.00	\$6.95	\$0.00
Speed 8	\$2.75	\$2.62	\$2.00	\$3.95	\$3.20
Anon Call Reject	\$1.50	\$2.20	\$2.00	\$3.95	\$1.90
Caller ID	\$6.75	\$9.65	\$5.00	\$3.95	\$8.95
5 feat pkg w/o MCA (includes access line)	\$17.95	\$31.95 *	3 feature-\$5 / 11 feature-\$20 ADDITIONAL		3 feature-\$28.95 / 11 feature-\$31.95
5 feat pkg w MCA (includes access line)	\$29.95	\$41.90 **	3 feature-\$5 / 11 feature-\$20 ADDITIONAL		\$14.94 + feature pkg above

* Enhanced Choice - includes access line, CID and 5 features

** Enhanced Choice plus MCA - includes access line, CID and 5 features plus MCA